

HARPSWELL *BULLETIN*

News for Harpswell Residents & Property Owners from the Town Office – January 2006

Town Website: www.harpswell.maine.gov

TOWN TO VOTE ON S.A.D. 75 WITHDRAWAL PROCESS

The Selectmen received a petition with sufficient signatures to cause the beginning of the procedure under Maine law for Harpswell to withdraw from SAD 75. This is a relatively complicated procedure which would require two Town Meeting votes before the matter would be decided. This issue of the Bulletin provides background information.

How Harpswell's share of the SAD 75 budget is determined?

Since SAD 75 was created in the early 1970s, Harpswell and the other three towns participating in the District (Bowdoin, Bowdoinham and Topsham) have shared those costs not covered by the State of Maine by a cost-sharing formula composed of two parts. The percentage of number of students in the schools and the percentage of the property value of each town is averaged together to come up with the percentage contribution. In other words, the number of students from each town and its property value each count the same. This is the 50-50 cost-sharing formula.

Beginning in the 2005-2006 school (and fiscal) year, a statewide program called Essential Programs and Services (EPS) began to be phased in. Under EPS, eventually the State is supposed to pay 55% of the cost (on a statewide not a town-by-town basis) and the towns will pay 45%. This year, the State is paying 84% of its EPS obligation but this is supposed to increase until 2009-10 so that it would then pay the full 55%.

Unlike State aid in the past when State aid went to the District as a whole, the State now contributes its education aid to meet the costs of individual towns. Harpswell is not eligible for any State support because its property tax mill rate for education is below the state cut-off for aid. It contributes about 18% of the EPS portion of the District budget based on its percentage share of students. When EPS is fully in effect, the three other participating towns will receive from the State about 55% of their costs to pay for SAD 75, but Harpswell will receive nothing.

For the portion of the SAD 75 budget that has not yet been phased into EPS and for any local option expenditures beyond the requirements of EPS, SAD 75 will continue to use the 50-50 formula. When EPS is fully in effect and covers a high share of the total budget, the amount of budget support from the 50-50 formula is likely to be considerably less than it is now.

How is Special Education handled?

It is treated somewhat differently from EPS. Maine voters determined that the State should pay 100% of Special Education costs. The other three SAD 75 towns now receive 100% support. Harpswell would normally receive nothing, because the mill rate barrier would also apply to this expense. However, the Legislature agreed this year to credit to Harpswell 25% of its Special Education costs, but just for one year. There is now a bill before the Legislature to pay 84% of Harpswell's costs in 2006-7 (\$122,000 less than 100% funding), 90% in 2007-8, 95% in 2008-9 and 100% in 2009-10 and thereafter. If this takes place and SAD 75 does not increase spending sharply to absorb the new funds, Harpswell would benefit and property taxes would be less.

Why is the cost-sharing considered to be unfair to Harpswell?

First, if we look at the 50-50 formula, its effect has been much different from what was expected 35 years ago. Harpswell's valuation has increased to the point where its land value puts it among the top 10 municipalities among the 495 or so in Maine. The price of residential property in Harpswell in 2004 put the town at the third highest in Maine. In addition, the number of students from Harpswell has declined as compared with other towns. The results has been that the Harpswell cost per student approached \$11,887 while ranging from \$3,310 to \$4,673 in the other SAD 75 towns. Because of the increase in property value, Harpswell's overall share of the budget has been increasing.

EPS has made matters even less favorable to Harpswell. The EPS costs are the great majority of the budget. Harpswell gets no EPS help, so it costs make it the largest contributor to the District budget. The effects of EPS on Town contributions was clear from changes in town contributions in this year's school budget. Bowdoin's costs actually declined by 15.20% and Bowdoin's went down by 5.80%. Topsham's increased by 3.92%, while Harpswell's increased by 9.76%. That meant a spread of 24.96% in the change in one year between Bowdoin and Harpswell. The overall SAD 75 increase was only 2.58% percent. (After Harpswell received the special education allocation, its increase went to 6.48% percent with the overall District increase being 1.5%.)

As EPS costs increase (and they will go up substantially when Mt. Ararat High School is renovated), the other three towns will receive increased State aid and Harpswell will face increased cost. It is possible that capital spending, such as Mt. Ararat High School would entail, could be handled outside of EPS, with Harpswell getting some help, but no action has yet been taken on this.

Can SAD 75 or the State of Maine do something to help Harpswell?

Beginning in February 2004, the Harpswell Selectmen started talking with selectmen and other town representatives about the 50-50 formula. Several informal negotiating sessions were held without any progress. Last summer, after a majority of Harpswell voters voted against the SAD 75 budget for the current year, the District Board of Directors voted to launch a formal process for negotiations on cost allocation.

Harpswell offered a proposal to leave cost sharing as it had evolved, but in the future to have the average District cost increase also be the increase for each town. In other words, if the District budget went up by 2.5%, then the increase for each town would be 2.5%.

With a state facilitator, four negotiating sessions were held, but once again the other towns did not agree to any shift in cost responsibility away from Harpswell and to them. The State said they could not do so for the EPS portion. On the State level, there seems to be no chance that the State will change the EPS system. The three towns refused to consider any change in the 50-50 portion. The Harpswell proposal was not accepted. The formal process ended when an overwhelming majority of the negotiating committee (vote 10-2) felt there was no further point in meeting.

Why does the current cost-sharing formula harm SAD 75?

No overall budget increase is likely to be acceptable to the School Board if the greatest increase on any town is too high. Harpswell is the affected "high" town. It appears that the Board has tried not to impose too high a burden on Harpswell, thus limiting the amount the District can spend on education. Under the Harpswell proposal, this hidden spending limit would not happen.

What would be the financial impact of Harpswell withdrawing from SAD 75?

SAD 75 has prepared an analysis. It looks at 2005-2006, the current year, as if Harpswell were not a member of SAD 75, but it sent all of its middle school and high school students to SAD 75, as at present. The two Harpswell elementary schools would be under Town control. Harpswell would have to pay the costs of the elementary schools, transportation and other costs plus tuition cost for its students when they go to the Mt. Ararat schools. The tuition rate is set by the state and is now \$6,463 through 8th grade and \$6,929 for grades 9-12, considerably less than the \$11,887 being paid currently. Harpswell would also have to pay its share of current SAD 75 debt service. If Harpswell were not a member of SAD 75 in 2005-6, the result would be a saving to Harpswell of \$930,142 or 9.8% of the current Harpswell property tax revenues.

It is important to know that the actual change would come as a result of negotiations with SAD 75. We can expect these to be serious negotiations, as Harpswell has claims on the District and SAD 75 may try to extract a better deal than has been outlined in the data it has developed until now. However, it is likely that SAD 75 will want to keep the Harpswell students so that it could maintain its programs, so the negotiations can be constructive.

It is likely that the Harpswell withdrawal process is having an impact on the move to increase its Special Education funding, but the proposed increase in such funding for Harpswell could turn out to be independent of a final decision on withdrawal.

Are there other factors to take into consideration beyond money?

Perhaps the most significant difference would be that Harpswell would not have District school board members, even though the Town could have students in the Mt. Ararat schools. The Board uses weighted voting by census population, and Harpswell's four representatives are much less than a majority. However, by persuasion they can influence decisions. After withdrawal, Harpswell would have its own school board to govern the elementary schools and deal with other educational costs and programs.

What is the withdrawal process?

There will be a public hearing on January 10, 2006 at 7 p.m. at the Harpswell Islands School to discuss the withdrawal petition. On January 28, 2006, voting on the petition will take place from 9 a.m. until 5 p.m. at the Merriconeag Grange (Harpswell Neck), the Harpswell Islands School (Great Island) and the Orr's Island School house (Orr's and Bailey Islands).

If a majority of the voters vote "yes", the petition goes to the Commissioner of Education and the SAD 75 Board of Directors. If a majority votes "no", the matter is dropped. In case of a favorable vote, the Commissioner asks the Harpswell Selectmen to appoint three people, at least one of whom is a selectman, to a committee to negotiate with the SAD 75 Board. To these three people, a Harpswell member of the School Board is added. The January 28 vote includes a sum of money, as is required by law, to support the work of the negotiators. That amount is \$50,000.

When the negotiations on withdrawal, including the future relationship of Harpswell and SAD 75, are completed, the Commissioner asks the Selectmen to hold a second vote, this time on the withdrawal deal itself. To be accepted and for withdrawal to take place, two-thirds of those voting in Harpswell must approve.

The Withdrawal Petition:

Be it resolved by the residents of the Town of Harpswell that a petition for withdrawal be filed with the directors of School Administrative District No. 75 and with the commissioner, that the withdrawal committee be authorized to expend \$50,000 and that the selectmen be authorized to issue notes in the name of the Town of Harpswell or otherwise pledge the credit of the Town of Harpswell in an amount not to exceed \$50,000 for this purpose.

Important Dates:

- ◆ Tuesday, **January 10, 2006, 7:00 p.m., Public Hearing** on the SAD 75 Withdrawal Petition, Harpswell Islands School
- ◆ Saturday, **January 28, 2006, Vote on SAD 75 Withdrawal Petition**
Polls open from 9:00 a.m. to 5:00 p.m. at three locations:
- ◆ Merriconeag Grange for Harpswell Neck voters
- ◆ Harpswell Islands School for Great Island voters
- ◆ Orr's Island Schoolhouse for Orr's and Bailey Island voters

Absentee Ballots are available from the Town Clerk's Office.